



## New Century Resources Limited (NCZ.ASX)

### Mt Lyell Copper Option Complements Century In Situ Expansion

#### Event:

- Mt Lyell site visit and Ore Reserve; updated earnings, valuation, and PT.

#### Investment Highlights:

- **Potential long life, sustainable, green copper production at Mt Lyell with existing Resource and infrastructure:** two-year acquisition option for the Mt Lyell copper mine in Tasmania, which is a growth option for the business, while availability of renewable, hydroelectric power should enhance project green credentials, consistent with NCZ management's environmental expertise won through Century.
- **Mt Lyell Reserve underpins initial 10 year life, restart PFS under way:** recently announced initial Mt Lyell reserve of 23.9Mt at 1.14% CuEq for 246kt contained Cu and 198koz Au underpins 10+ year mine life. Reserve represents just 18% of existing 1.1Mt contained copper and 0.94Moz gold JORC Resource which could support multi decade life potential. Infill drilling to commence in coming months with scope for further upgrades to both Resources and Reserve during CY22.
- **Century tailings remains engine room for the business, In Situ provides mine life extension to the project:** In Situ study is value accretive and targeting very low incremental unit cost for four year extension to Century tailings operation. In Situ AISC in recently released optimisation study of US\$0.06/lb payable zinc, targeting four years production of zinc and lead concentrates from FY24e. Only a quarter of In Situ Resource scheduled in the study; we see possible upside from Resource growth as well as further conversion to Reserve.
- **Cash and concentrate of \$123M at March end and no debt.**

#### Earnings and Valuation:

- **We have revised FY22-FY24e NPAT to -\$11M, \$53M, and \$94M,** on FY23 production of 122kt zinc with the addition of In Situ production in both lead and zinc in FY24e. We model 45% recovery at Century tailings and C1 cost of US\$0.90/lb in FY23-24, also in line with company's reaffirmed expectations.
- **We have a decreased valuation for NCZ of \$4.70/share** (prior \$6.15), with the addition of In Situ Century extension and Mt Lyell option offset by lower recovery and mining rates at Century. We make only minor changes to LT prices and assume US\$1.18/lb zinc, US\$1.00/lb Pb, US\$3.65/lb Cu, and AUDUSD 0.74.

#### Recommendation:

- **We reiterate our Buy recommendation for NCZ with a PT of \$4.70/share (prior \$6.15),** in line with our DCF valuation. Market in our view is ascribing no value to the exciting green copper option that Mt Lyell presents – nor the In Situ expansion for that matter, even as strong zinc prices underwrite near term cash generation from its Century operation with its rebased expectations, and which will undergo mine life extension from the In Situ expansion case.
- **NCZ's environmental credentials,** earned through its Century asset management, will be further highlighted as it develops Mt Lyell.
- **Key catalysts for the stock** include: 1) ongoing operational performance at Century and upcoming In Situ expansion; 2) continued strength in base metal prices; 3) updates on Mt Lyell Resource and Reserve, feasibility study release in 2H22, and option exercise; and 4) exploration updates.

#### Disclosure

The analyst does not own NCZ securities. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) do not own NCZ securities. Cranport Pty Ltd owns 471,384 NCZ shares.

**Foster Stockbroking provides equity capital markets and corporate advice to NCZ and will receive consideration for this service.**  
**Refer to end of report for details.**

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$4.70
Previous	\$6.15
Share Price (A\$)	\$2.19
ASX Code	NCZ
52 week low - high (A\$)	1.84-3.53
Capital structure	
Shares on Issue (M)	131.0
Market Cap (A\$M)	287
Net Cash/(Debt), A\$M, est.	123
EV (A\$M)	164
12mth Av Daily Volume ('000)	146

Y/e Jun A\$	2021a	2022e	2023e	2024e
Sales, \$M	278.0	359.3	415.4	566.3
EBITDA, \$M	73.5	55.4	117.6	202.3
NPAT, \$M	-10.8	-11.0	53.2	93.9
EPS adj, c	-1.0	-0.7	2.7	4.7
PER, x	nm	nm	81.6	46.2

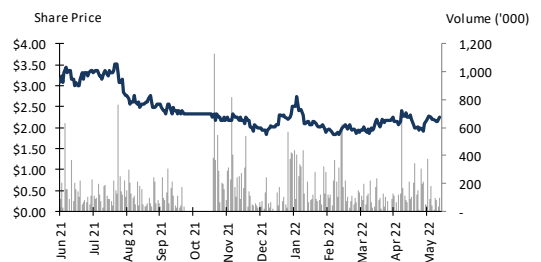
#### Board

Robert McDonald	Chairman
Patrick Walta	Managing Director
Nick Cernotta	Non-Executive Director
Kerry Gleeson	Non-Executive Director
Peter Watson	Non-Executive Director

#### Major Shareholders

Sibanye Stillwater Ltd	20.0%
Luminus Management LLC	17.5%
Luxor Capital Group LP	12.1%

#### Share Price Graph



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